ECONOMICS OF SEA TRANSPORT & INTERNATIONAL TRADE (EST) 2002

Overall comments

It was disappointing to find so many candidates inadequately prepared to attempt this paper; knowledge was insufficient on too many occasions to answer one half of a given question. In many cases the problem was due to the candidate not writing enough to warrant a pass or because the question had not been read closely enough by the candidate to generate an appropriate response with relevant material.

Diagrams, the key to success in this subject, were infrequently used to support answers, and were generally carelessly drawn with limited annotation and weak explanation. Significant improvement is needed here.

Question 1—Tankers and drybulk carriers—market characteristics—compare and contrast

Fundamental to success in this examination is an ability to address both parts of the question set. Candidates answering this question tended to provide either a comparison or a contrast, rarely both, and so achieved borderline marks dependent upon the strength and presentation of their limited answers. Some chose to be rather too concise, making valid points but failing to develop their good ideas to earn vital marks. Market diagrams, where used, were often simply thrust into the exercise without adequate explanation and thus served little purpose in answering the question.

Question 2—Ports—improvements in economic performance

Some strong answers were generated, but some of the responses suffered from their very narrowness of approach. The application of port theory was expected, and it was pleasing to observe a high proportion of diagrams being used to enhance such answers. However, the question was set to enable candidates also to use their knowledge of port activities in general. The better answers therefore, were those considering both port theory and different port activities, and those realising that improved economic performance is not just achieved through cost control and cost-cutting, but through revenue generation as well.

Question 3—Tariffs and quotas—effects of—balance of trade deficit reduction

This question provided the ‘carrot’ of tariffs and quotas but was coupled with the potential ‘stick’ of a consideration of a balance of trade deficit reduction.

Answers tended to cope admirably with how tariffs and quotas are applied and then became discernibly weaker in their content. Many forgot to address the question and
assess their effects in addition to their application. Those who managed to assess the effects of tariffs and quotas, using a diagram to explain their impact, generally achieved pass marks. The better candidates were those who went further to explain a balance of trade deficit and then to provide reasons to justify their choice of either tariffs or quotas to reduce such a deficit.

A small percentage of candidates decided that they were against the use of both tariffs and quotas in their answers, thus answering a different question from the one set; this is never a good policy.

Question 4—‘Size matters’—range of shipping activities—economic concepts

This question generated some interesting answers. Some candidates reacted, rather than responded, to the trigger word ‘sire’ and took the optimum ship size route to answer this question, whereby tolerance was afforded to such answers, especially where a willingness to use diagrams was evident. Others reacted to provide answers solely on technical economies of scale or the economies of ship size, again with pertinent diagrams.

However, the majority of respondents failed to register the requirement of the question to refer to a range of shipping activities and apply the concept of economies of scale accordingly. Hence, although some strong answers were received, they did not gain the high marks anticipated by their writers as they lacked such a range of shipping activities, failing to consider different types of internal economies of scale in a shipping context.

Also, an evaluation of the statement was required. This suggested that diseconomies of scale ought to have been considered as well as economies of scale, to provide a balanced response. Too many answers ignored this and failed to provide the necessary evaluation in a concluding paragraph, thus restricting further the mark awarded.

Question 5—Demand for shipping—factors influencing—derived demand explained

Despite being the most popular question answered on this paper, this was probably the question that generated the weakest answers most answers were too short to meet the requirements of the question.

The factors influencing the derived demand for shipping needed to be examined, not simply identified. The factors identified were often general factors influencing the demand for any product or service, not those factors specific to the demand for shipping, such as economic growth or the distance of haul.

Question 6—Cost components—ship operators—identification and reduction of costs

This question was generally answered quite well. Most candidates were able to identify fixed and variable costs. The frequency of the break-even model diagram was pleasing to
note, even if the diagram sometimes left a little to the imagination, especially when an explanation was not forthcoming — it was simply there in glorious isolation!

In many cases marks failed to be obtained due to a penchant for candidates simply to list costs using bullet-points or hyphens or numbered points, with limited expansion of their ideas

Question 7 – Time responsiveness of tonnage to freight rate movements – use of diagrams

Not a popular question, perhaps due to the candidates failing to recognise a question on the elasticity of supply?

That said, there were a few candidates who clearly knew what they were about, thankfully, most of the answers were able to provide a general explanation of elasticity of supply. These answers tended to avoid coverage of the elasticity equation and its associated values, preferring to use Marshall’s three time periods and associated diagram(s) to explain the concept of elasticity. The answers lacked economic rigour, but were adequate enough to answer the question set in most cases.

Question 8 – China – WTO – implications for world trade and shipping

The only question on this paper with a topical slant. Detailed, specific knowledge of the country or of the World Trade Organisation was not essential. Rather, a knowledge of the main elements and concepts learnt from a study of this subject, across the full range of the syllabus, was required to be adapted and applied here in a series of generalisations to generate marks and to answer the question set.

Conclusion

Candidates are simply not preparing themselves sufficiently well prior to the examination. The majority remain unable to write to length and to write with the appropriate depth and level of insight required by this subject. Moreover, candidates need ensure that they answer both elements of a given question.